

ARGUMENT

Xinjiang Backlash Is Hitting Chinese Firms Hard

The United States has slapped sanctions on companies tied to Chinese repression. That may be just the start.

BY CHARLES ROLLET | OCTOBER 18, 2019, 11:58 AM

The U.S. government's decision on Oct. 7 to blacklist top Chinese surveillance companies marked the first concrete policy response to the human rights crisis in China's western region of Xinjiang. The entities affected include the world's two largest security camera manufacturers and three multibillion-dollar facial recognition start-ups. All eagerly profit from the Chinese government's sweeping surveillance state in Xinjiang, which has overseen the detention of an estimated 1.5 million members of ethnic minority groups, chiefly Uighur, in so-called reeducation camps.

For years, U.S. tech companies **exported advanced technology** to this horrific system, but because of the blacklist such sales now require stringent U.S. Commerce Department licenses that operate under a "presumption of denial." The measures were reinforced by the announcement of U.S. visa restrictions on unnamed government and Chinese Communist Party officials involved in the Xinjiang crackdown.

The current slate of sanctions is groundbreaking. But in some ways they represent a "**least worst**" option for the companies affected. Fundamentally, these are export controls on U.S. origin goods. While severe, this opens the door for the kinds of **exemptions** and **workarounds** that Huawei has used to survive. The CEO of the sanctioned Chinese security camera-maker Hikvision says he **remains** confident about his firm's prospects. Ambarella, a chipmaker whose stock plunged after the blacklist, **now says** it will be able to ship chips to Hikvision as long as they are foreign-produced.

Magnitsky sanctions—of the kind originally pioneered against Russia in the aftermath of the death of the eponymous whistleblower—are the real worry for firms profiting from the Xinjiang atrocity and represent a potential path forward for lawmakers and activists. These would ban all transactions between covered entities and the United

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global industry and finance. However, there haven't been any recent calls to escalate matters to the Magnitsky level. That option may reappear, though, during periods of even greater U.S.-China tensions or if the Xinjiang situation were to (somehow) get even worse.

Whatever form they take, Xinjiang sanctions may also be applied to other actors. Legislation currently **sitting** in the U.S. Congress, if passed, would mandate the drafting of a report about surveillance firms operating in the region, paving the way for sanctions on them, too. Finding new firms to punish would not be particularly difficult. Xinjiang drives a disproportionate percentage of China's already massive domestic security spending, and few Chinese security companies have resisted this **gold rush**.

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Another artificial intelligence start-up, CloudWalk, has **reportedly** pitched facial analytics systems that automatically notify police when Uighurs start gathering in a certain location. Beijing AI start-up DeepGlint **openly advertises** such ethnicity recognition systems, along with extensive Xinjiang police projects, on their Chinese website. There is also the prospect of banning U.S. citizens from profiting from the region, such as the **Xinjiang training center** tied to the founder of Blackwater (now Academi), Erik Prince.

China also now risks seeing concrete responses to its Xinjiang repression go global. Emboldened by the sanctions, members of the British Parliament are **demanding an inquiry** into the use of Hikvision cameras in the National Health Service and other government projects. Politicians in **Germany, the Netherlands**, and elsewhere have been raising concerns about Xinjiang-linked security firms as well. A backlash against such companies may culminate in countries passing strict purchasing rules or outright bans on Xinjiang-linked Chinese surveillance equipment.

Non-security businesses will also be scrutinized more than ever. The fact that the NBA has a **training camp in Xinjiang** recently **went viral** amid the controversy over the basketball league's profitable deference toward China. A **widely shared list** of Fortune 500 companies with business operations in Xinjiang may find stronger purchase. Broad

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the vast quantity of goods produced there. However, this also means more targeted boycotts related specifically to Xinjiang activities may find greater success.

Aside from measures against surveillance firms and officials, more multilateral strategies can be envisioned. At a **townhall** about LGBTQ rights last week, U.S. presidential candidate Elizabeth Warren said she would implement tough human rights standards for any country wishing to trade with the United States. Explicitly tying trade to human rights would signal a shift from the Trump administration, which has claimed human rights are separate from trade while quietly using them as a **bargaining chip** during negotiations. If U.S. allies like the European Union were to join such a new trade regime, the potential to affect China's actual domestic policies would be much greater than by blacklisting a few surveillance companies.

Such a project would be immensely ambitious, however, and may not even work given China's now huge economic power. While Chinese surveillance firms may have a tougher time obtaining Western components or selling to developed markets, the prospects of a truly global, coordinated response on Xinjiang seem dim.

If anything, the Xinjiang crisis seems to have provided inspiration for some, with India **busily building Muslim camps** and one Israeli politician **praising** the supposed benefits of reeducation. If called out, they can just bring up Trump's own atrocious rhetoric against Muslims. The EU's **generally pusillanimous** stance on Xinjiang—raising concerns but avoiding any concrete measures—also leads to the retort that Xinjiang sanctions are merely a byproduct of U.S.-China superpower tensions.

While the current sanctions have been praised by **Uighur activists** and **U.S. politicians** as long overdue, any future measures will be undermined by China's economic might and sophisticated repressive apparatus, which benefited for years from Western help. The **fantasy** that China's political system would liberalize along with its economy led to the neglect of policies such as the **export ban** on crime control equipment passed after the 1989 Tiananmen Square massacre. This ban was not updated or strictly enforced, meaning that, until last week, U.S. companies could not sell riot shields to Chinese police but could and did sell them highly advanced **DNA sequencers** and AI cameras. Uighurs and other Muslims trapped in Xinjiang's techno-totalitarian model are paying the price.

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